WARRINGTON
ASSET MANAGEMENT

March 2014 Market Commentary

Markets experienced nominal volatility in March, yet Warrington was able to achieve a significant positive return of approximately 1.14%, net of all fees.

The first trading day of March registered the lows in the stock market for the month, as the geopolitical confrontation escalated between Russia and Ukraine over the former's annexation of Crimea. The market quickly rebounded 2.7% to hit new all-time highs just four trading days later, a reaction that has become all-too common over the last year. The following week and a half the market reverted to choppy, directionless trading.

During expiration week, new Fed Chairwoman Yellen staged her first post-meeting press conference and implied that hikes in the Fed funds rate might occur six months after the end of the current Quantitative Easing, much earlier than most market participants were anticipating. This caused further volatility in the market which benefited the ratio put spread positions held by Warrington.

This type of choppy market action can work well for Warrington, because oscillations allow for advantageous purchases of non-ratio call spreads to cover the existing ratio put spreads, locking in gains. This protects the portfolio profits from market spikes that have recently occurred after brief periods of selling, a core tenant of Warrington's discipline.